

Response to the Consultation of the Singapore Stewardship Principles for Responsible Investors (SSP 2.0)

March 2022

Dear industry colleagues,

On 16 November 2021, the SSP Steering Committee (we) opened the consultation to invite stakeholders in the asset management industry to comment on the SSP 2.0 draft, with a view to advance stewardship practices in Singapore to the next level. The consultation closed on 14 January 2022. We have reviewed the comments received and incorporated the feedback where applicable. We would like to thank all respondents for participating in the consultation.

Summary

Most of the respondents agreed with the objectives and approach of SSP 2.0 and that the revised Principles are in line with international developments and trends towards sustainable investing.

Respondents were broadly supportive of the changes in SSP 2.0:

- the revised definition of investment stewardship;
- the identification of internal structures and governance of institutional investors guiding their stewardship activities;
- the inclusion of Environmental, Social and Governance (ESG) aspects and governance in the Principles;
- the expansion of stewardship to other asset classes beyond listed equities; and
- the emphasis on impacts and outcomes when reporting on stewardship activities.

In addition, respondents to the consultation provided useful feedback and raised a few key issues that we have considered carefully, and which would benefit from further elaboration.

Revised definition of investment stewardship

Almost all respondents agreed that the revised definition better reflects the industry's perspective of effective investment stewardship. However, there were clarifications on what active ownership entails and whether promoting ESG practices should be considered an imperative for all investors when making investment decisions.

Following the consultation, we made further revisions to the definition to clarify what long-term sustainable value entails: creating and preserving enterprise value within portfolio companies, and improving long-term risk-adjusted returns to clients and beneficiaries. We also clarified what active ownership means: active ownership is often synonymous with the use of engagement and voting rights to effect corporate behaviour change and encourage best practices. Investors can also leverage other strategies to help reduce risks, maximise returns and deliver long-term benefits for the stakeholders, the economy, the society and the environment.

We understand that some investors may face restrictions in actively exercising their ownership responsibilities and duties. We also wish to highlight that being an active and responsible investor does not mean interfering with the finer points of managerial discretion and the day-to-day operations of investee companies or issuers. A responsible investor would exercise discretion in engagement activities to achieve the best outcome for their clients and beneficiaries. While investors have different investing strategies, we see tackling ESG issues as integral to achieving long-term sustainable value.

Ultimately, we take the view that SSP 2.0 is a set of aspirational principles that promotes stewardship behaviour in organisations, which include both investors themselves and their investee companies or issuers.

Coverage of stakeholders (particularly service providers) in the SSP 2.0 Guidance

Almost all respondents agreed that SSP 2.0 covered the key stakeholders in the investment value chain (i.e. asset owners, asset managers and service providers).

Some respondents supported a broader adoption of SSP 2.0 to stakeholders that can effect positive change in the investment value chain. They felt that SSP 2.0 could provide more guidance for service providers, as some of the Principles do not appear immediately applicable.

We acknowledge the feedback. While service providers do not hold equities or other assets for investment purposes, they provide research and voting services and assume some stewardship responsibilities similar to those of investors. Hence, service providers are encouraged to support the stewardship activities of their clients with respect to SSP 2.0. Moreover, the wide range of service providers in the capital market (e.g. proxy advisors, investment consultants, custodians, investment research providers, data vendors, credit rating agencies) makes it difficult to comprehensively cover the stewardship responsibilities of these market participants in the investment value chain.

In this regard, we have decided not to introduce specific principles or guidance and will take the feedback into consideration as SSP 2.0 continues to evolve. Service providers may find it useful to refer to the UK Stewardship Code or other applicable international frameworks to the extent applicable to them. We will engage with relevant service providers and update the Principles periodically should the Singapore investor community explicitly call for more robust stewardship guidance for service providers in the future.

Guidance for other asset classes beyond listed equities

While most respondents welcomed the application of the Principles to asset classes beyond listed equities, some respondents reflected that SSP 2.0 appeared more applicable to investors of listed equities and asked for clarification on what stewardship means for other asset classes in practice. Respondents elucidated that SSP 2.0 should acknowledge the challenges of applying stewardship for other investment securities and recognise that the rights and responsibilities in other asset classes differ significantly.

We understand that due to the inherent differences in investment characteristics, responsibilities and time horizons, there is no 'one-size-fits-all' approach in conducting stewardship activities for different asset classes. ESG integration (i.e. investment strategy, asset allocation and due diligence) may also vary across different classes. The Principles are designed to be at a 'high level' and intentionally broad to engender stewardship practices among investors and facilitate the flexible application of SSP 2.0.

The Principles and guidance statements are primarily focused on listed equities due to the maturity of stewardship practices in this asset class. Acknowledging the call for more specific guidance, we are committed to identifying suitable partners to develop a separate implementation note or toolkit, covering the best practices of different stakeholders (i.e. asset owners and asset managers) and asset

classes (e.g. listed equities, fixed income, infrastructure). More details about the implementation guidance will be shared with the industry in due course.

Expectations of signatories

Several respondents sought further clarification on the reporting requirements for SSP 2.0 and asked if their stewardship reports would satisfy the expectation to submit evidence to the Secretariat.

As an industry-led initiative, SSP 2.0 is non-binding and voluntary. There is no regulatory power accorded to us or the Secretariat to conduct extensive external oversight of the quality of stewardship reporting. Investors who choose to accept SSP 2.0 and become a signatory of SSP 2.0 are strongly encouraged to use it as a guide to report on the outcomes of their stewardship activities, and submit evidence of their stewardship efforts annually to the Secretariat. We have developed a sample submission template that signatories can use. Exemplary submissions will be displayed on the SSP's website. As stewardship is an ongoing journey, the submission template may be enhanced from time to time, based on suggestions from signatories.

The shift towards voluntary compliance and reporting is consistent with our view to advance stewardship practices to the next level and achieve widespread adoption and implementation of SSP 2.0. We aspire to enhance the credibility and prestige of SSP signatories in the long run. Stewardship reporting trends continue to evolve across jurisdictions. We will continually engage with industry stakeholders to create learning and collaboration opportunities for investors and the broader stakeholder base, with the objective of attaining wider and better adoption of SSP 2.0.

Effective date of SSP 2.0

SSP 2.0 is slated to take effect in tandem with its launch on 31 March 2022 and will supersede the previous version introduced in November 2016. Existing asset owners and managers who have supported the SSP should align with the Principles of SSP 2.0. Interested organisations are advised to approach the Secretariat for more details should they want to become a signatory to SSP 2.0. For further questions about SSP 2.0, the Secretariat's contact email is sspsecretariat@stewardshipasia.com.sg.

Lastly, we wish to express our gratitude to the Secretariat for its tireless efforts in bringing SSP 2.0 to fruition.

Yours faithfully,

The SSP Steering Committee